

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 FAA-00 L-03 SS-15 NSC-05 SP-02

PA-01 PRS-01 USIA-06 IO-10 H-02 /074 W

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P R 291839Z AUG 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 2511

INFO USMISSION USBERLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 14210

E.O. 11652: GDS

TAGS: EAIR, GW, WB, FR, UK, US

SUBJECT: CIVAIR: LUFTHANSA SAARBRUECKEN SERVICE

REF: A. BONN 13175 B. STATE 166283

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1. SUMMARY: LUFTHANSA (LH) WILL BEGIN SERVICES BETWEEN SAARBRUECKEN, FRANKFURT AND DUSSELDORF NOVEMBER 1, IN RETURN FOR A SUBSIDY FROM THE SAARLAND GOVERNMENT. TO MAXIMIZE SAARBRUECKEN MARKET, LH IS PRESENTLY ARRANGING A FARE PRORATE WITH PAA PROVIDING FOR A COMPETITIVE BERLIN FARE WITH PASSENGERS CONNECTING TO IGS AT FRANKFURT. SAARLAND GOVERNMENT HAS INDICATED A PREFERENCE FOR SHELIVING AEROAMERICA'S PROPOSAL WHICH NOW BECOMES DIVERSIONARY VIS-A-VIS LH. BERLIN SENAT SOURCES CONTINUE TO EXPRESS STRONG SUPPORT FOR DIRECT AERO-AMERICA LINK TO SAARBRUECKEN. RECOMMENDATION: WE BELIEVE CONSIDERATION OF AEROAMERICA'S APPLICATION SHOULD CONTINUE TO FOLLOW NORMAL PROCEDURE AND THAT ALLIES SHOULD NOW PRESENT PROPOSAL TO THE BCATAG WITH A CAA RECOMMENDATION THAT IT BE APPROVED. IF NECESSARY, MATTER COULD BE REASSESSED IN THE EVENT FRG POSES SERIOUS
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OBJECTIONS TO A DIRECT SERVICE. END SUMMARY.

2. ACCORDING TO RECENT PRESS REPORTS LUFTHANSA HAS FIRMED UP PLANS TO INCLUDE SAARBRUECKEN IN ITS DOMESTIC NETWORK EFFECTIVE NOVEMBER 1, 1975. AN AGREEMENT BETWEEN THE SAARLAND GOVERNMENT AND LH PROVIDES FOR TWO ROUND-TRIPS DAILY BETWEEN SAARBRUECKEN AND DUSSELDORF AND ONE ROUND-TRIP TO FRANKFURT USING BOEING 737'S. IN SUPPORT OF THE SERVICE THE SAARLAND GOVERNMENT HAS UNDERTAKEN TO PAY AN ANNUAL SUBSIDY OF UP TO DM 5 MILLION UNTIL THE CARRIER REACHES THE BREAK-EVEN POINT.

3. IN RECENT YEARS SAARBRUECKEN HAS BEEN SERVED SPORADICALLY BY A NUMBER OF SMALL GERMAN OPERATORS (UNDER CONTRACT TO LH) ALL OF WHOM HAVE ENCOUNTERED FINANCIAL PROBLEMS DESPITE SAARLAND GOVERNMENT SUBSIDIES. GIVEN THE LIMITED MARKET -- A MONTHLY PASSENGER VOLUME OF ABOUT 7000 -- LH HAD NOT PLANNED TO EXTEND ITS DOMESTIC NET TO SAARBRUECKEN UNTIL 1979. THE RECENTLY CONCLUDED AGREEMENT, THEREFORE, PROVIDES THE SAARLAND WITH A STABLE AND ASSURED AIR LINK TO OTHER POINTS IN THE FRG EARLIER THAN MIGHT HAVE BEEN THE CASE. NEWSPAPER COVERAGE HAS TAKEN NOTE OF AEROAMERICA'S PROPOSED SERVICE TO BERLIN WITHOUT COMMENT.

4. A PAA OFFICIAL TOLD US SUBSEQUENTLY THAT PAA AND LH INTENDED TO COORDINATE SCHEDULES AT FRANKFURT PERMITTING SAARBRUECKEN ORIGIN PASSENGERS TO TRANSFER TO THE IGS WITH A MINIMUM OF DELAY. AT THE SAME TIME THE CARRIERS PLAN TO PRORATE THE FRANKFURT/BERLIN SECTOR WITH A VIEW TO ARRIVING AT A SAARBRUECKEN/BERLIN FARE CONSIDERABLY LOWER THAN THE PRESENT TOTAL OF THE TWO SECTORS. WHETHER THE PRORATED TARIFF WOULD BE COMPETITIVE WITH AEROAMERICA'S PROPOSED DIRECT FARE REMAINS TO BE SEEN.

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P R 291839Z AUG 75

FM AMEMBASSY BONN

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 14210

ACCORDING TO PAA THEIR RECENT CONVERSATIONS WITH SAAR-
LAND OFFICIALS SUGGEST THE LATTER WOULD NOW PREFER TO
SEE THE AEROAMERICA SERVICE SHELVED IN ORDER TO MAXIMIZE
LH'S MARKET AND GIVE THE CARRIER AN OPPORTUNITY TO PUT
ITS NEW SERVICE ON A PAYING BASIS AS SOON AS POSSIBLE.

5. SAARLAND MOT OFFICIAL JUNG CALLED AT THE EMBASSY
AUGUST 25 TO INQUIRE WHETHER CAA'S WOULD BE WILLING TO
APPROVE THE PRORATED SAARBRUECKEN/BERLIN FARE. JUNG
STRESSED THAT THE SAARLAND GOVERNMENT ATTACHED CONSIDER-
ABLE IMPORTANCE TO THE LUFTHANSA SERVICE WHICH, WHILE
MORE LIMITED THAN THE EXISTING GENERAL AIR ROUTE PATTERN,
WOULD PROVIDE SAARBRUECKEN WITH A FINANCIALLY RELIABLE AIR
CARRIER FOR THE FIRST TIME SINCE 1959. FOR THIS REASON
THE SAARLAND WAS ANXIOUS TO PROVIDE LH WITH AS MUCH
POTENTIAL BUSINESS AS POSSIBLE, IF ONLY TO MINIMIZE THE
CARRIER'S DEFICIT ON THE SERVICE AND THUS REDUCE THE
SUBSIDY PAYMENTS NECESSARY UNDER THE ARRANGEMENT. JUNG
SAID HE WOULD NOT PUT THE SAARLAND GOVERNMENT ON RECORD
AS OPPOSING AEROAMERICA'S APPLICATION; HOWEVER, HE
IMPLIED CLEARLY THAT THE INTRODUCTION OF A DIRECT BERLIN
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SERVICE WOULD BE ILL-TIMED FROM HIS POINT OF VIEW. HE
ADDED THAT HE PLANNED TO CALL AT THE FRG TRANSPORT
MINISTRY (FMT) TO REVIEW THE ENTIRE SITUATION. EMB. CAA
SAW NO PROBLEMS WITH THE PRORATED FARE FOR THE FRANKFURT
BERLIN SECTOR BUT POINTED OUT THE FARE ON THE SAAR-
BRUECKEN CONNECTING LEG WAS A MATTER FOR THE FMT.
BEYOND THANKING JUNG FOR HIS CALL WE EXPRESSED NO
FURTHER VIEWS ON THE MATTER.

6. DURING AUGUST 29 LUNCHEON CONVERSATION IN BERLIN,
SENAT CHANCELLARY OFFICIAL SOEDER TOLD EMB. CAA THAT
GOVERNING MAJOR AND SENAT STRONGLY FAVORED AEROAMERICA'S
PROPOSED DIRECT SERVICE TO SAARBRUECKEN. LATER THE SAME

DAY PAA DIRECTOR RUNNETTE REITERATED PAA'S STRONG
OBJECTION TO THE SERVICE, EMPHASIZING HIS SPECIAL CONCERN
THAT IF APPROVED SERVICE WOULD GIVE AEROAMERICA LEVERAGE
TO ENGAGE IN OTHER ACTIVITIES INIMICAL TO THE INTERESTS
OF THE SCHEDULED CARRIERS. END LIMITED OFFICIAL USE

7. BEGIN CONFIDENTIAL.

COMMENT: THE SAARLAND GOVERNMENT'S UNDERSTANDABLE
CONCERNS REGARDING LH ARE, OF COURSE, A MATTER FOR THE
FRG TO CONSIDER IN DEVELOPING A POSITION FOR THE BCATAG.
(THIS IS EQUALLY TRUE FOR BERLIN SENATE'S VIEWS.)

WITH AN ARRANGEMENT POSSIBLE ON A PRORATED FARE, THE
DIVERSIONARY EFFECT ON PAA OF A DIRECT SERVICE WOULD
BE SOMEWHAT GREATER THAN WOULD OTHERWISE
HAVE BEEN THE CASE, SINCE THE CARRIER WOULD LOSE THE
OPPORTUNITY TO FURTHER DEVELOP A SAARBRUECKEN/BERLIN
MARKET. IN THE ABSENCE OF ANY PAA DATA TO THE CONTRARY,
WE WOULD JUDGE THIS ADDITIONAL IMPACT TO BE SLIGHT.
ON BALANCE, OUR OBLIGATIONS TO ENHANCE W. BERLIN AIR
LINKS APPEAR TO US TO OUTWEIGH THE OTHER CONFLICTING
INTERESTS INVOLVED IN THIS ISSUE. WE WOULD, THEREFORE,
RECOMMEND INFORMING FRG BCATAG REPS, THAT WE PROPOSE
TO APPROVE AEROAMERICA'S APPLICATION. WHILE WE DOUBT
THE FRG WOULD FIND IT POLITICALLY FEASIBLE TO
OPPOSE THE APPLICATION, WE COULD, OF COURSE, REASSESS
THE SITUATION SHOULD THIS OCCUR. ACTION REQUESTED:
DEPT'S VIEWS WOULD BE APPRECIATED SOONEST.

END CONFIDENTIAL.

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